

**REPORT OF THE AUDIT OF THE
CARROLL COUNTY
SHERIFF**

**For The Year Ended
December 31, 2014**



**ADAM H. EDELEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CARROLL COUNTY SHERIFF

**For The Year Ended
December 31, 2014**

The Auditor of Public Accounts has completed the Carroll County Sheriff's audit for the year ended December 31, 2014. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the receipts, disbursements, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$10,799 from the prior year, resulting in excess fees of \$3,606 as of December 31, 2014. Receipts decreased by \$21,926 from the prior year and disbursements decreased by \$11,127.

Report Comments:

- 2014-001 The Sheriff's Disbursements Should Be Paid Timely
- 2014-002 The Sheriff's Office Lacks Segregation Of Duties Related To Controls Over Receipts, Disbursements, And Reconciliations
- 2014-003 The Sheriff Should Implement Procedures To Analyze Operating Needs Of The Office During The Year To Ensure Disbursements Are Made Only When Funding Is Available

Deposits:

The Sheriff's deposits as of November 7, 2014 were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$638,882

The Sheriff's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the Sheriff's deposits in accordance with the security agreement.

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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Bobby Lee Westrick, Carroll County Judge/Executive
The Honorable Jamie Kinman, Carroll County Sheriff
Members of the Carroll County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying statement of receipts, disbursements, and excess fees - regulatory basis of the County Sheriff of Carroll County, Kentucky, for the year ended December 31, 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



The Honorable Bobby Lee Westrick, Carroll County Judge/Executive
The Honorable Jamie Kinman, Carroll County Sheriff
Members of the Carroll County Fiscal Court

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the County Sheriff on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the County Sheriff, as of December 31, 2014, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2014, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 25, 2015 on our consideration of the Carroll County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Carroll County Sheriff's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control over financial reporting and compliance.

The Honorable Bobby Lee Westrick, Carroll County Judge/Executive
The Honorable Jamie Kinman, Carroll County Sheriff
Members of the Carroll County Fiscal Court

Other Reporting Required by Government Auditing Standards (Continued)

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2014-001 The Sheriff's Disbursements Should Be Paid Timely
- 2014-002 The Sheriff's Office Lacks Segregation Of Duties Related To Controls Over Receipts, Disbursements, And Reconciliations
- 2014-003 The Sheriff Should Implement Procedures To Analyze Operating Needs Of The Office During The Year To Ensure Disbursements Are Made Only When Funding Is Available

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'Adam H. Edelen', with a stylized flourish at the end.

Adam H. Edelen
Auditor of Public Accounts

August 25, 2015

CARROLL COUNTY
JAMIE KINMAN, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2014

Receipts

State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)	\$	7,758
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State Fees For Services:

Finance and Administration Cabinet	\$	27,439
Sheriff Security Service		11,007
Cabinet For Health And Family Services		7,887
		46,333

Circuit Court Clerk:

Fines and Fees Collected	1,741
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Fiscal Court	63,769
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County Clerk - Delinquent Taxes	17,390
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Commission On Taxes Collected	190,053
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Fees Collected For Services:

Auto Inspections	6,800
Accident and Police Reports	347
Serving Papers	22,655
Carrying Concealed Deadly Weapon Permits	3,150
	32,952

Other:

Add-On Fees	16,746
Miscellaneous	5,532
	22,278

Interest Earned	222
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Borrowed Money:

State Advancement	140,000

Total Receipts	522,496
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The accompanying notes are an integral part of this financial statement.

CARROLL COUNTY
 JAMIE KINMAN, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2014
 (Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$ 74,057
Part-Time Salaries	
Other Salaries	73,746
Overtime	21,821
KLEFPF	6,403

Employee Benefits-

Employer's Share Retirement	1,130
Employer Paid Health Insurance	60,045

Materials and Supplies-

Office Materials and Supplies	1,195
Uniforms	558

Auto Expense-

Gasoline	25,065
Maintenance and Repairs	9,288

Other Charges:

Conventions and Travel	897
Dues	625
Postage	2,593
Cell Phone	5,075
Internet	994
Prisoner Transports	4,904
Training Deputies	325
Equipment	1,069
Computer	1,396
Miscellaneous	1,288

Capital Outlay-

Office Equipment	<u>376</u>	\$ 292,850
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Debt Service:

State Advancement	<u>140,000</u>
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Total Disbursements		<u>\$ 432,850</u>
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The accompanying notes are an integral part of this financial statement.

CARROLL COUNTY
JAMIE KINMAN, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2014
(Continued)

Net Receipts	\$ 89,646
Less: Statutory Maximum	<u>82,130</u>
Excess Fees	7,516
Less: Training Incentive Benefit	<u>3,910</u>
Balance Due Fiscal Court at Completion of Audit	<u><u>\$ 3,606</u></u>

The accompanying notes are an integral part of this financial statement.

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2014

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.192 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework. Under this regulatory basis of accounting receipts and disbursements are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2014 services
- Reimbursements for 2014 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2014

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2014
(Continued)

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 18.89 percent for the first six months and 17.67 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

CARROLL COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2014
 (Continued)

Note 3. Deposits

The Carroll County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1) (d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Carroll County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2014, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of November 7, 2014, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the Sheriff's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$638,882

Note 4. Drug Account

The Sheriff has an account that is used for receiving forfeited state drug money. This money is used to purchase law enforcement equipment and to make drug buys during investigations. The beginning balance on January 1, 2014 was \$720. Receipts totaled \$442 and disbursements were \$81 during 2014. The ending balance on December 31, 2014 was \$1,081.

Note 5. Grant Account

The Sheriff has an account that is used for receiving grant money. The beginning balance of grant account includes the donation received from the Community Advisory Panel for \$490 and grant proceeds through the National Sheriff's Association in the amount of \$8,072 to implement a seat belt awareness program for the county. In total the beginning balance of the grant account on January 1, 2014 was \$8,562. Disbursements were \$8,117 during 2014. The ending balance on December 31, 2014 was \$445.

Note 6. Donations Account

The Sheriff's office has an account used for the receipt of donations for equipment, or donations paid in lieu of fines. Disbursements from the account are limited to law enforcement equipment for officers. The beginning balance on January 1, 2014 was \$1,578. The receipts were \$1,000. The ending balance as of December 31, 2014 was \$2,578.

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2014
(Continued)

Note 7. Contingency

The Sheriff is involved in lawsuits that arose from the normal course of doing business. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the Sheriff cannot be made at this time.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Bobby Lee Westrick, Carroll County Judge/Executive
The Honorable Jamie Kinman, Carroll County Sheriff
Members of the Carroll County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the statement of receipts, disbursements, and excess fees - regulatory basis of the Carroll County Sheriff for the year ended December 31, 2014, and the related notes to the financial statement and have issued our report thereon dated August 25, 2015. The County Sheriff's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Carroll County Sheriff's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Carroll County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Carroll County Sheriff's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, which are described in the accompanying comments and recommendations as items 2014-002 and 2014-003 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Carroll County Sheriff's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations as item 2014-001.

County Sheriff's Response to Finding

The Carroll County Sheriff's response to the finding identified in our audit is included in the accompanying comments and recommendations. The Carroll County Sheriff's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

August 25, 2015

COMMENTS AND RECOMMENDATIONS

CARROLL COUNTY
JAMIE KINMAN, SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2014

STATE LAWS AND REGULATIONS:

2014-001 The Sheriff's Disbursements Should Be Paid Timely

During testing, we noted six instances in which disbursements were paid more than 30 days past the date on the invoice, resulting in a noncompliance with KRS 65.140(2). KRS 65.140(2) states that payments should be made to vendors within 30 business days of receipt to ensure a good business relationship with the vendor and prevent the charge of penalties and late fees. Good internal controls dictate that invoices should be present upon payment to vendors and checks should be issued for the amount of the invoice. The Sheriff's office did not have a procedure in place to ensure payments were made timely. Failure to pay bills within thirty (30) days results in amounts not being recorded timely on the disbursements ledger and can result in payment of finance charges and late fees. We recommend the Sheriff implement procedures to ensure payments are made timely.

Sheriff's Response: We will pay when monies available.

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES:

2014-002 The Sheriff's Office Lacks Segregation Of Duties Related To Controls Over Receipts, Disbursements, And Reconciliations

During our review of controls, we noted a lack of segregation of duties related to several significant financial reporting areas. Due to the entity's diversity of official operations, small size, and budget restrictions, the Sheriff has limited options for establishing an adequate segregation of duties. We noted that the bookkeeper takes cash from customers, prepares the daily checkout sheet, counts cash/checks, prepares the deposit, takes the deposit to the bank, prepares checks for payments, posts receipts and disbursements to the ledgers, and prepares the bank reconciliations.

Proper segregation of duties protects employees in the normal course of performing their daily responsibilities. If staffing does not allow for segregation of duties, strong management oversight should be implemented.

We observed that the Sheriff's office has compensating controls in place to offset these control weaknesses including: the other office staff person compares daily checkout sheets to the deposits, supporting documentation to checks written, and the bank reconciliation prepared by the bookkeeper. The review is documented by initials on the daily checkout sheet and checkbook register.

CARROLL COUNTY
JAMIE KINMAN, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2014
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES: (Continued)

2014-002 The Sheriff's Office Lacks Segregation Of Duties Related To Controls Over Receipts, Disbursements, And Reconciliations (Continued)

However, we noted that the Sheriff is not involved in day to day revenue collections or disbursements on a regular basis. We were informed the Sheriff inquires of deposits and verbally approves payments. Reviews and approvals should be evidenced by initials or signatures on supporting documents. We recommend the Sheriff implement the following procedures to improve his involvement in day to day revenue collections and disbursements:

- Recount and take the deposit to the bank, initialing the deposit ticket to document the performance of recounting the deposit.
- Perform random cash counts, initialing the daily checkout sheet to document the cash being counted.
- Review checks prepared for payment of significant purchases, initialing the invoice to document the review.
- Review daily deposits to ensure they agree and are posted to the receipts ledger.

Sheriff's Response: None.

2014-003 The Sheriff Should Implement Procedures To Analyze Operating Needs Of The Office During The Year To Ensure Disbursements Are Made Only When Funding Is Available

The fee account was overdrawn thirteen times in Calendar Year 2014. Twelve of the noted expenses were for payroll expenses. The other expense noted was for vehicle maintenance which could have possibly been made during other times of the year when more funds were available. Good accounting and budgeting practices dictate that the Sheriff closely monitor disbursements to ensure there are sufficient funds available before disbursements are made and that unnecessary fees are not paid. Due to the Sheriff's office lack of implementing a procedure to monitor disbursements, the fee account was overdrawn. We recommend the Sheriff implement procedures to review the operational needs throughout the year to ensure disbursements are made only when funding is available.

Sheriff's Response: None.

